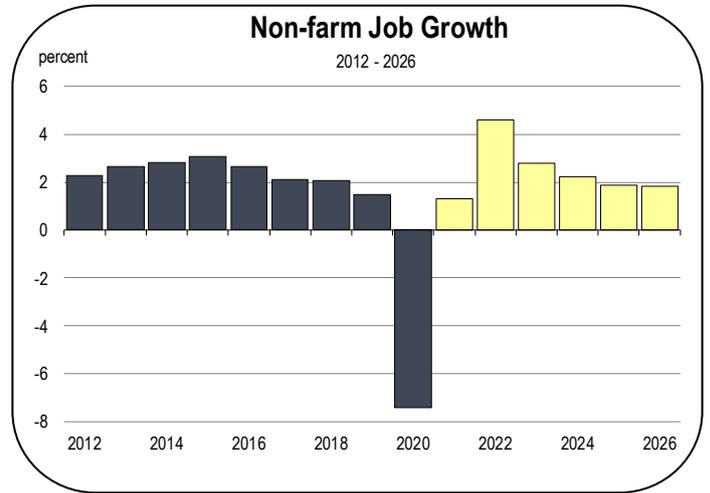


California Economic Forecast

Forecast Summary

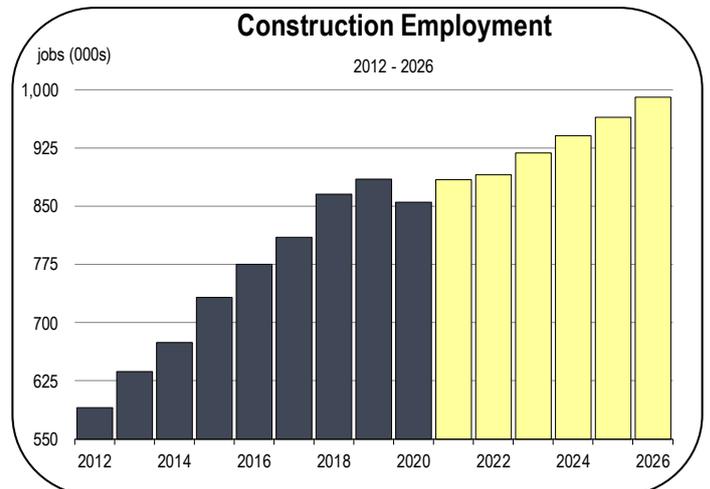
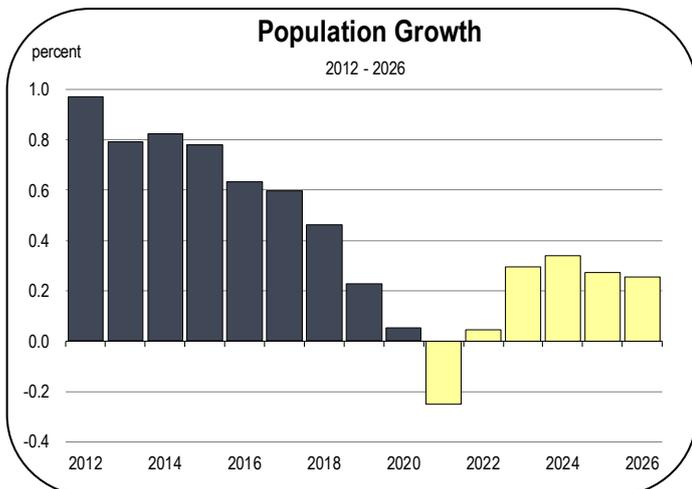
- The California labor market is in the process of recovering from the Coronavirus Recession. A full recovery is expected by 2023.
- In 2021, job growth will be constrained by a lack of residents returning to the workforce. A record number of individuals dropped out of the labor force during the recession, and the number of jobs in the economy will be limited by the number of people who are willing and able to work.
- On an annual average basis, only 223,500 jobs will be restored in California during 2021, which is less than 20 percent of the jobs lost during 2020.
- The recovery will accelerate in 2022, when approximately 754,500 jobs will be gained. Over the remainder of the 2021-2026 forecast period, an average of 350,000 to 400,000 jobs will be generated each year.
- The unemployment rate averaged 10.2 percent in 2020. It is expected to average 7.5 percent in 2021 and 5.6 percent in 2022.
- The population is forecast to decline in 2021, then increase slowly through 2026.
- Population growth will be fastest in the Central Valley and the Sacramento Valley. The population will decline in some counties of Northern California and the Sierra Region.
- Housing production will begin to accelerate. For the first time in decades, California will build enough homes to keep pace with population growth.



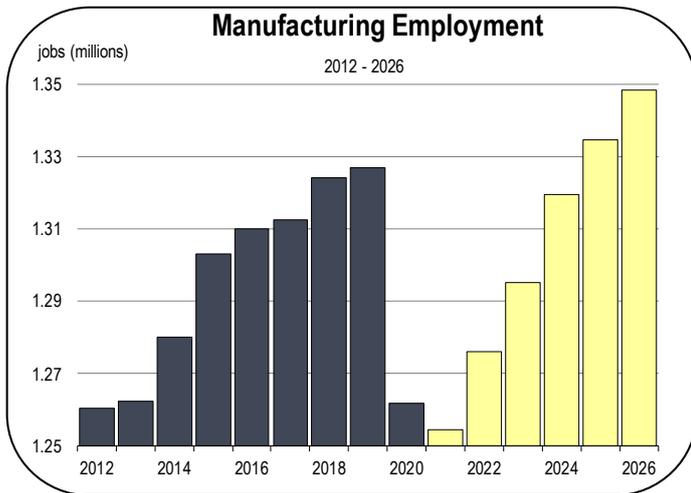
- Home prices are expected to increase by 23 percent 2021, which is faster than almost any year on record. After such a rapid increase, housing affordability in California will become strained, limiting additional price gains in 2022 and 2023.

Construction Employment

- In 2021, the construction sector is expected to regain almost all of the jobs lost during the Coronavirus Recession.
- Over the remainder of the forecast period, construction employment will expand briskly as California builds a large number of new homes.
- Demand for construction workers will be most prominent in the major population hubs of Los Angeles County and the San Francisco Bay Area.



California Economic Forecast

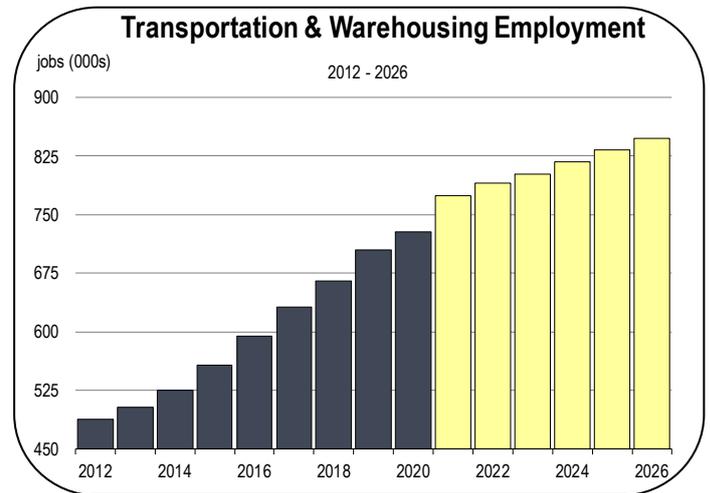


Manufacturing Employment

- The recovery in manufacturing jobs will be delayed.
- The manufacturing sector - along with other industries that require onsite work - has been hit particularly hard by the recruitment and retention issues of the California workforce. A prominent number of manufacturing workers have yet to return to the workforce, and a similarly large share has retired with no plans to come back.
- It is expected that a recovery will become more apparent in 2022, but pre-pandemic employment levels may not be reached for several years.

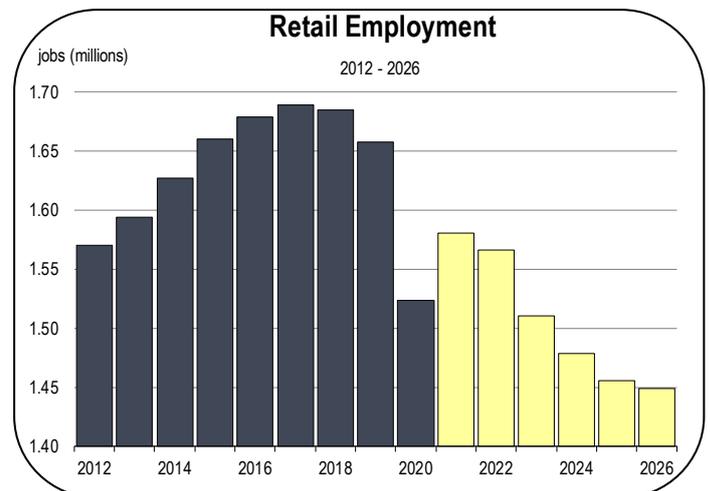
Transportation and Warehousing Employment

- Transportation and warehousing was the only industry to add jobs in 2020, and it will be the fastest growing industry in 2021.
- As traditional brick-and-mortar retail is supplanted by online shopping, retail jobs will be replaced by warehousing and delivery workers.
- Large corporations will build massive logistics centers throughout inland California, particularly near major transportation arteries like Interstate 5.
- At the same time, smaller warehouses will be established in big population centers, facilitating services like same-day delivery of consumer goods.

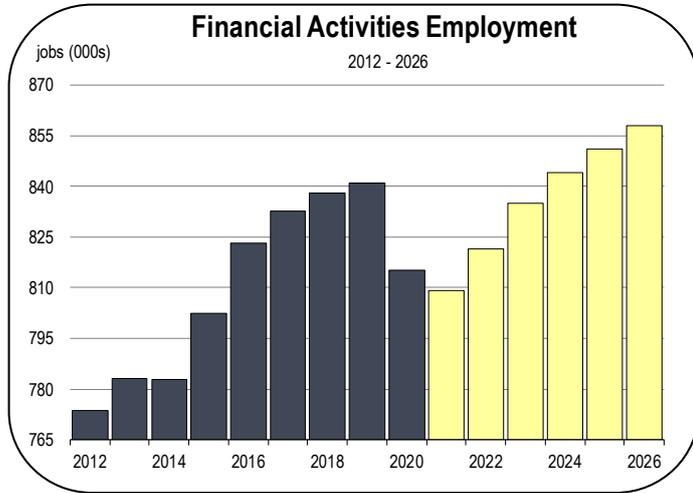


Retail Trade Employment

- A partial rebound is expected in 2021 in the retail industry, but beginning in 2022, a sustained period of consolidation is expected.
- The "Retail Apocalypse" that began in 2018 is expected to persist throughout the forecast period, with local shops losing business to online stores.
- Employee headcounts will decline most acutely in furniture stores, electronics stores, clothing stores, and sporting goods stores.
- Employment levels will expand in grocery stores, pharmacies and drug stores, and big box general merchandise stores (such as Walmart and Target), but these gains will not be sufficient to offset losses in other subsectors.

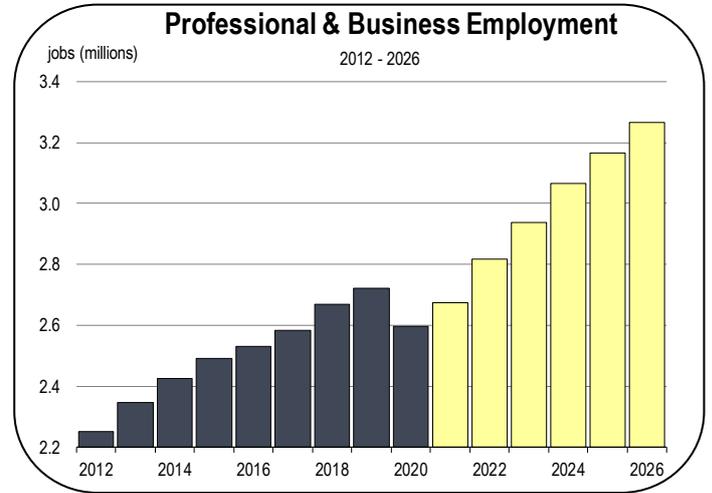


California Economic Forecast



Financial Activities Employment

- The financial activities industry is primarily comprised of banks and credit unions, real estate companies, and insurance firms.
- Some large metro areas, like San Francisco and Los Angeles, also have prominent asset management sectors.
- The financial activities industry is forecast to expand convincingly in 2022 and 2023.
- The most prominent growth is expected in real estate. As large numbers of new homes are built, real estate firms will hire more staff to sell, lease, manage, and secure financing for houses and apartments across California.
- Growth will be slow at banks and credit unions. Because more banking services will be conducted online, fewer workers will be needed for in-person services at local branches.



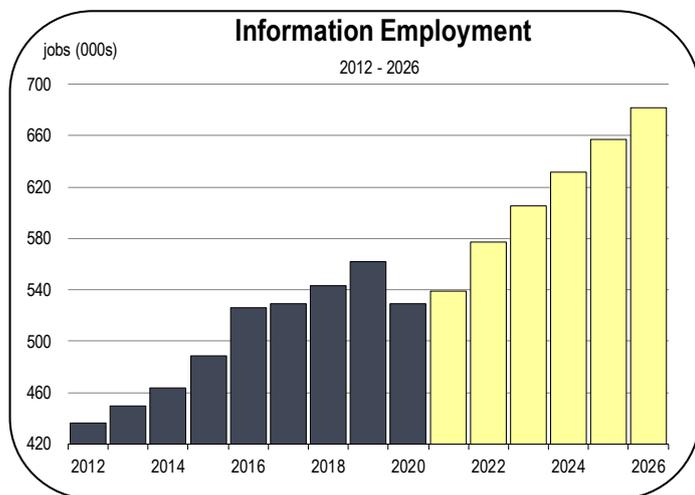
Professional and Business Services Employment

- The professional and business services industry has a diverse array of subsectors, including accounting, law, business and technical consulting, scientific research, marketing and advertising, temporary staffing, building maintenance and security, and corporate management.
- Staffing agencies and building maintenance/security companies had significant losses during the 2020 recession, but will bounce back quickly in 2021 and 2022 when office buildings become full of workers again, restoring demand for services like security and maintenance.
- Long term growth will be concentrated in technical consulting, IT consulting, and scientific research, particularly in the large markets of Los Angeles County, Orange County, San Diego County, the Sacramento Area, and the San Francisco Bay Area.
- Over the 2021-2026 period, employment in the professional and business services industry will expand by more than 650,000 jobs, which is more than any other sector.



San Francisco

California Economic Forecast

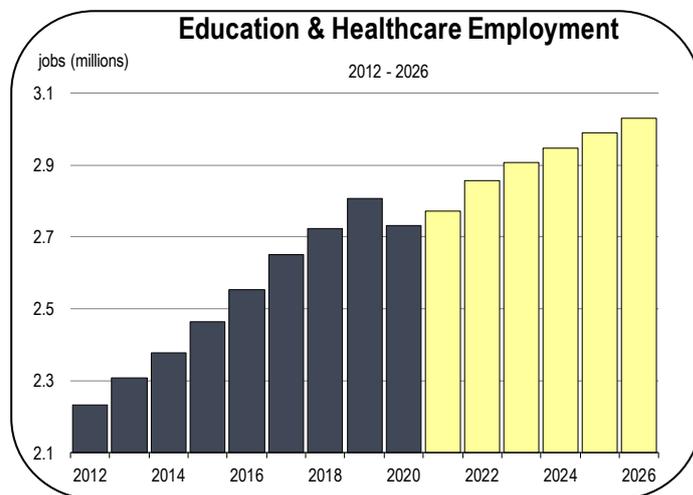


Information Employment

- In California, the information sector is dominated by Internet and data firms, software firms, and the movie and television production industries (e.g. feature film production).
- Most data/Internet, software, and movie/TV production jobs can be found in Los Angeles County and the San Francisco Bay Area.
- Outside of Los Angeles County and the San Francisco Bay Area, the information industry is largely comprised of telecommunications, local radio and TV broadcasting (e.g. local TV news), movie theaters, and local newspapers.
- The software, data, Internet, and movie/TV production industries have expanded incredibly rapidly in recent years. This expansion was paused in 2020, but growth is expected to be robust during the 2021-2026 forecast period.
- Telecommunications, local radio and TV broadcasting, newspaper and book publishers, and movie theaters are all in long-term patterns of stagnation. These subsectors will not generate a meaningful number of jobs between 2021 and 2026.

Private Education and Healthcare Employment

- The private healthcare and education industries were characterized by job losses that would have been large in most recessions, but were fairly modest for the Coronavirus Recession.
- Employment at doctors' offices, dentist offices, and hospitals contracted by small amounts. Jobs at private schools/colleges and tutoring centers declined sharply.

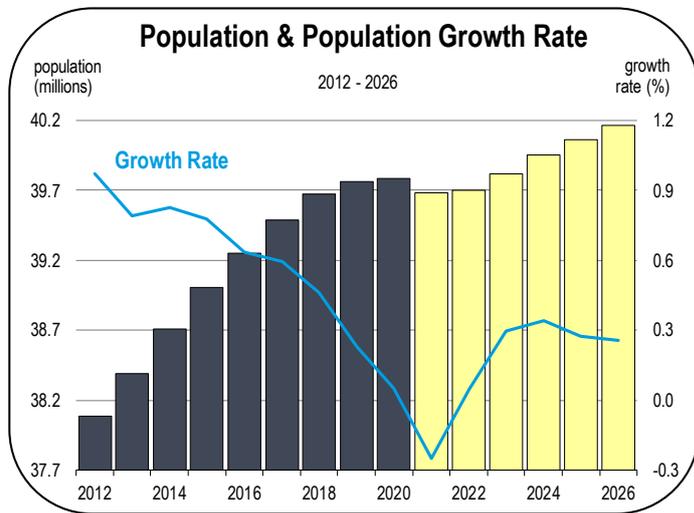
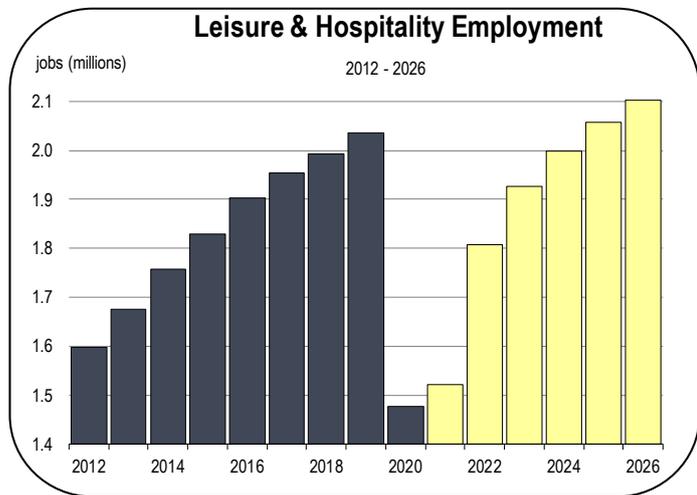


- In 2022 and 2023, employee recruitment will be the biggest risk to job growth.
- Local hospitals and clinics have struggled to meet staffing needs during the COVID-19 pandemic.
- In particular, hospitals have reported challenges recruiting and retaining enough nurses to meet mandated nurse-to-patient ratios.
- In some instances, hospitals have hired temporary nurses from other states, typically at much higher salaries.
- Recruitment and retention issues are expected to be short lived, but job creation will ultimately depend on the willingness and ability of California residents to enter the healthcare workforce.

Leisure and Hospitality Employment

- Leisure and hospitality firms were impacted by restricted business conditions more than any other type of company in 2020.
- On an annual average basis, 353,000 jobs were lost at restaurants and bars, a decline of 24 percent.
- More than 80,000 jobs were lost at hotels and motels (35 percent) and more than 95,000 jobs were lost at gyms, fitness centers, performing arts centers, and professional sports teams (42 percent).
- Leisure and hospitality employment began to rebound sharply in the second half of 2021, but a full recovery is not expected until the second half of the 2021-2026 forecast period.

California Economic Forecast

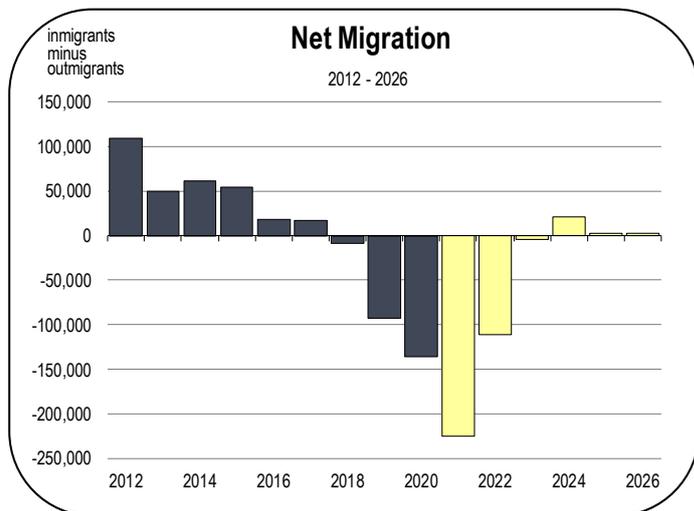
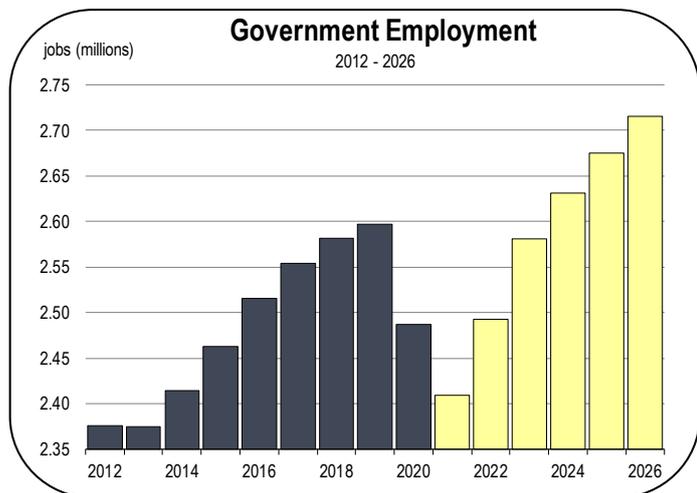


Government Employment

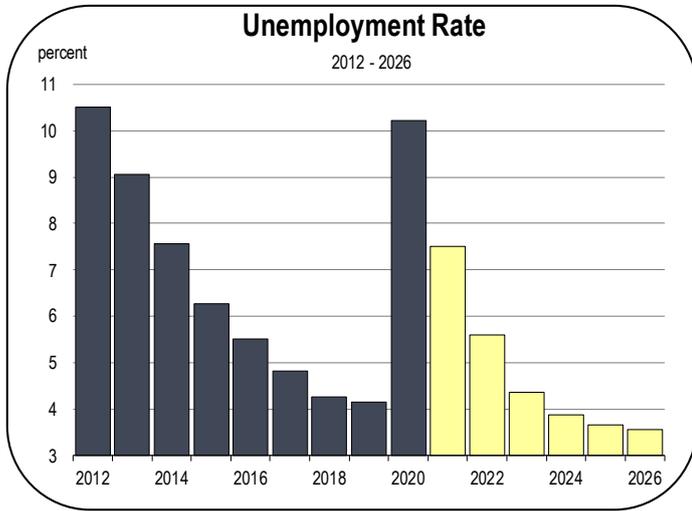
- Total government employment is forecast to contract in 2021, with a recovery beginning in 2022.
- Early in the pandemic, public schools and municipal agencies offered early retirement benefits to a large number of workers, leading to a rush of retirements.
- In the second half of 2021, when schools returned to in-person instruction, it became challenging for schools to fill the positions that had been vacated by retired individuals.
- Staffing issues are expected to persist for several years. A full restoration of government jobs is not expected until 2023 or 2024.

Population Growth

- The California population is expected to grow slowly between 2021 and 2026.
- For most of the forecast period, the number of residents moving out of California is expected to exceed the number of people moving into the state.
- Over the 2021-2026 forecast period, virtually all population growth will be the result of new births.
- The population will expand at an annual average rate of 0.2 percent per year from 2021 to 2026. By 2026, California will have approximately 40.2 million residents.

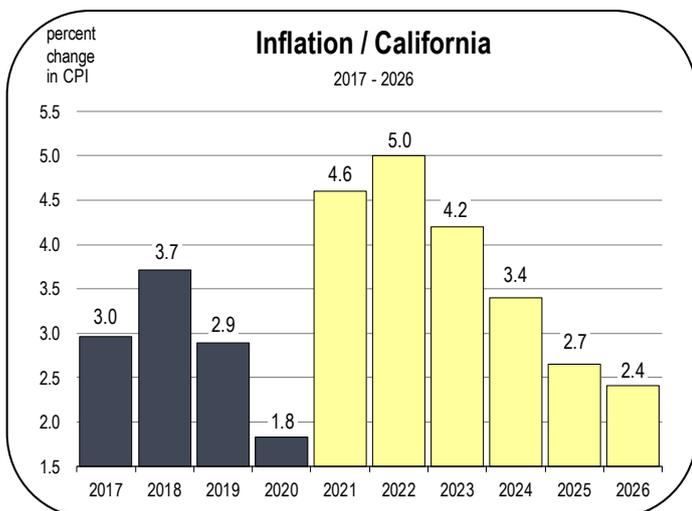


California Economic Forecast



Unemployment and Inflation Rates

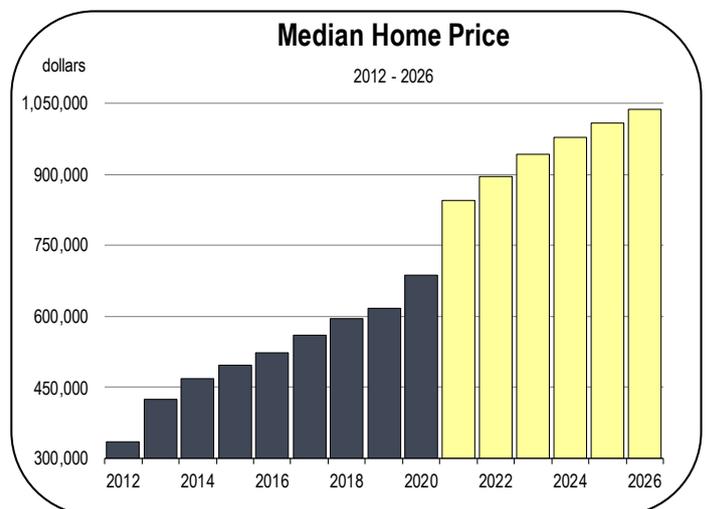
- The unemployment rate in California averaged 10.2 percent in 2020.
- An unemployment rate below 5 percent signifies a fully employed workforce in the state.
- The unemployment rate is expected to average 7.5 percent in 2021 and 5.6 percent in 2022.
- Inflation decelerated sharply in 2020, largely because energy prices declined when the demand for fuels plunged.
- Inflation soared in 2021 and is expected to remain elevated for several years.



- Over the forecast period, there will be a number of factors that will contribute to high inflation. The most prominent will be:
 - Record levels of spending by consumers and government agencies
 - Fractures in the global supply chain that raise the cost of production for many businesses
 - Sharp increases in the cost of housing and energy
 - Labor market recruitment challenges that force companies to raise wages
- Combined, these factors will push inflation to its highest rates in 30 years. Ultimately, it will reduce the purchasing power of households and negatively impact consumer confidence, limiting the growth potential of the economy in 2022.
- However, inflation will begin to decelerate as supply chains and the labor force are restored by the second half of the forecast period, eventually falling below 3 percent.

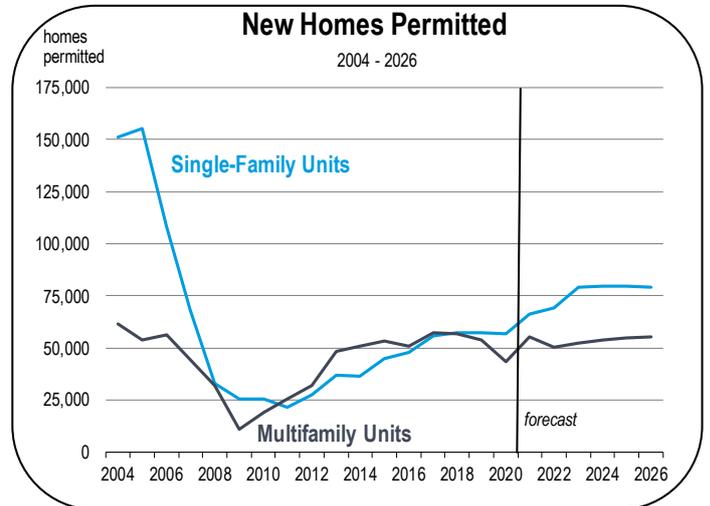
Home Prices and New Housing Production

- In 2020, the median home price in California was \$659,200, an increase of 11 percent from the previous year.
- The median price is expected to increase by 23 percent in 2021 as the number of homes on the market plummets and the number of house hunters grows.
- Price appreciation should slow down in 2022, but the median price could surpass \$1 million by 2026.



California Economic Forecast

- In some parts of the state, housing affordability has become a major issue.
- In the San Francisco Bay Area, Orange County, Los Angeles County, and the Central Coast, housing costs have become prohibitive for many residents, which has contributed to a meaningful wave of outmigration and has led to slower rates of population growth.
- Home prices are high because there has been a severe lack of homebuilding, and housing production has not kept pace with population growth.
- From 2008 to 2020, an average of 81,600 new homes were started per year in California. Over the same period, the population grew by an average of 248,500 residents each year.
- Housing production is expected to average 129,100 units per year from 2021 to 2026, while the population expands by only 63,700 per year. This should allow the state to make a small dent in the housing affordability crisis.



Yosemite National Park

California Economic Forecast

Economic Indicators

2015-2020 History, 2021-2050 Forecast

	Population (millions)	House- holds (millions)	Net Migration (thousands)	New Homes Permitted (thousands)	Registered Vehicles (thousands)	Personal Income (trillions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (billions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (billions)	Inflation Rate (percent)
2015	39.0	12.8	55	98	34	\$2.2	\$445	\$665	\$440	\$64,976	6.3	\$59	1.4
2016	39.3	12.9	18	99	35	\$2.3	\$454	\$681	\$442	\$65,872	5.5	\$55	2.3
2017	39.5	13.0	17	113	35	\$2.4	\$471	\$706	\$473	\$66,472	4.8	\$56	3.0
2018	39.7	13.1	-9	114	36	\$2.5	\$493	\$736	\$496	\$66,912	4.3	\$54	3.7
2019	39.8	13.2	-93	111	36	\$2.7	\$501	\$763	\$505	\$67,883	4.2	\$53	2.9
2020	39.8	13.2	-135	100	36	\$2.9	\$452	\$735	\$569	\$72,365	10.2	\$50	1.8
2021	39.7	13.3	-225	121	36	\$3.0	\$551	\$888	\$579	\$73,386	7.5	\$49	4.6
2022	39.7	13.4	-111	120	36	\$3.1	\$535	\$850	\$540	\$70,184	5.6	\$52	5.0
2023	39.8	13.6	-4	131	36	\$3.3	\$550	\$876	\$544	\$71,374	4.4	\$53	4.2
2024	40.0	13.7	21	134	36	\$3.4	\$563	\$898	\$552	\$72,324	3.9	\$54	3.4
2025	40.1	13.8	3	134	36	\$3.6	\$571	\$910	\$560	\$73,507	3.7	\$54	2.7
2026	40.2	13.9	3	134	37	\$3.7	\$577	\$921	\$568	\$74,694	3.6	\$55	2.4
2027	40.3	14.1	1	133	37	\$3.9	\$583	\$932	\$577	\$76,053	3.5	\$56	2.2
2028	40.3	14.2	-11	132	37	\$4.1	\$589	\$943	\$586	\$77,358	3.5	\$56	2.3
2029	40.4	14.3	-9	131	37	\$4.2	\$604	\$967	\$592	\$78,245	3.5	\$57	2.2
2030	40.5	14.4	-9	130	37	\$4.3	\$622	\$995	\$598	\$79,109	3.5	\$58	2.2
2031	40.5	14.6	-18	128	37	\$4.5	\$635	\$1,016	\$603	\$79,893	3.5	\$59	2.3
2032	40.5	14.7	-25	125	37	\$4.6	\$651	\$1,041	\$607	\$80,652	3.5	\$59	2.2
2033	40.5	14.8	-32	121	37	\$4.8	\$665	\$1,064	\$613	\$81,654	3.5	\$60	2.0
2034	40.5	14.9	-33	118	37	\$4.9	\$680	\$1,087	\$618	\$82,667	3.5	\$61	2.1
2035	40.5	15.0	-33	115	37	\$5.1	\$698	\$1,116	\$623	\$83,751	3.5	\$62	2.1
2036	40.5	15.1	-25	113	37	\$5.3	\$721	\$1,150	\$627	\$84,743	3.5	\$63	2.2
2037	40.4	15.2	-23	112	37	\$5.5	\$742	\$1,183	\$632	\$85,765	3.5	\$63	2.2
2038	40.4	15.3	-33	108	37	\$5.7	\$762	\$1,215	\$637	\$86,899	3.5	\$64	2.2
2039	40.3	15.4	-38	106	37	\$5.8	\$785	\$1,249	\$641	\$88,045	3.5	\$65	2.2
2040	40.2	15.5	-43	103	37	\$6.0	\$805	\$1,281	\$646	\$89,214	3.5	\$66	2.1
2041	40.2	15.6	-43	101	37	\$6.2	\$823	\$1,311	\$650	\$90,299	3.5	\$67	2.2
2042	40.1	15.7	-43	99	36	\$6.4	\$842	\$1,339	\$654	\$91,441	3.5	\$68	2.1
2043	39.9	15.8	-47	97	36	\$6.6	\$861	\$1,370	\$658	\$92,642	3.5	\$69	2.0
2044	39.8	15.9	-40	97	36	\$6.8	\$876	\$1,395	\$660	\$93,670	3.5	\$70	2.2
2045	39.7	16.0	-27	97	36	\$7.0	\$897	\$1,427	\$662	\$94,567	3.5	\$71	2.2
2046	39.6	16.1	-20	97	36	\$7.2	\$916	\$1,458	\$663	\$95,441	3.5	\$72	2.2
2047	39.5	16.2	-40	94	36	\$7.4	\$936	\$1,490	\$664	\$96,275	3.5	\$73	2.2
2048	39.3	16.3	-45	92	36	\$7.6	\$961	\$1,529	\$664	\$97,042	3.5	\$74	2.3
2049	39.2	16.4	-48	90	36	\$7.8	\$983	\$1,563	\$666	\$98,094	3.5	\$75	2.0
2050	39.0	16.4	-52	89	35	\$8.0	\$1,006	\$1,600	\$667	\$99,080	3.5	\$76	2.1

Employment Sectors

2015-2020 History, 2021-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	(thousands of jobs)											
2015	16,475	422	732	1,303	558	2,350	803	2,491	489	2,465	1,829	2,463
2016	16,906	425	776	1,310	595	2,371	823	2,532	526	2,553	1,903	2,516
2017	17,250	423	810	1,313	632	2,384	833	2,582	529	2,650	1,954	2,554
2018	17,599	422	865	1,324	665	2,382	838	2,669	543	2,722	1,993	2,582
2019	17,853	423	885	1,327	704	2,350	841	2,722	562	2,807	2,036	2,597
2020	16,548	407	855	1,262	728	2,167	815	2,595	529	2,732	1,478	2,487
2021	16,771	420	884	1,254	774	2,223	809	2,674	539	2,772	1,521	2,409
2022	17,526	424	890	1,276	790	2,227	821	2,817	577	2,856	1,807	2,493
2023	18,004	425	919	1,295	802	2,182	835	2,938	605	2,907	1,927	2,581
2024	18,393	424	941	1,320	817	2,152	844	3,066	632	2,947	1,999	2,631
2025	18,724	418	964	1,335	833	2,131	851	3,166	657	2,989	2,057	2,675
2026	19,052	411	990	1,348	848	2,128	858	3,266	682	3,030	2,103	2,715
2027	19,379	405	1,013	1,361	862	2,133	865	3,366	705	3,070	2,149	2,752
2028	19,676	399	1,008	1,372	876	2,140	871	3,466	728	3,110	2,196	2,786
2029	19,948	400	1,008	1,383	889	2,145	877	3,566	750	3,148	2,218	2,817
2030	20,197	400	993	1,392	902	2,150	883	3,666	771	3,186	2,240	2,844
2031	20,435	400	971	1,400	914	2,156	887	3,765	791	3,224	2,262	2,869
2032	20,685	400	968	1,408	926	2,161	891	3,865	811	3,261	2,284	2,892
2033	20,903	401	941	1,415	937	2,167	894	3,963	829	3,297	2,306	2,912
2034	21,134	401	931	1,421	948	2,173	897	4,062	846	3,332	2,329	2,931
2035	21,367	401	930	1,427	959	2,179	899	4,159	863	3,367	2,351	2,948
2036	21,598	401	933	1,432	969	2,185	900	4,256	878	3,400	2,374	2,964
2037	21,823	401	935	1,437	979	2,192	902	4,353	893	3,432	2,396	2,978
2038	22,038	402	931	1,441	988	2,198	902	4,448	907	3,466	2,419	2,990
2039	22,253	402	933	1,445	997	2,205	902	4,543	920	3,498	2,442	3,002
2040	22,453	402	925	1,448	1,006	2,212	902	4,636	933	3,529	2,465	3,012
2041	22,651	402	920	1,451	1,014	2,219	901	4,729	945	3,560	2,488	3,022
2042	22,847	403	917	1,454	1,022	2,226	899	4,821	956	3,589	2,511	3,030
2043	23,038	403	914	1,457	1,030	2,233	897	4,912	966	3,619	2,535	3,038
2044	23,226	403	913	1,459	1,037	2,241	895	5,001	976	3,646	2,558	3,045
2045	23,412	403	914	1,461	1,044	2,249	893	5,090	985	3,673	2,581	3,051
2046	23,593	404	914	1,463	1,051	2,257	890	5,177	994	3,700	2,605	3,057
2047	23,769	404	910	1,464	1,057	2,265	887	5,263	1,002	3,728	2,628	3,062
2048	23,942	404	909	1,466	1,063	2,273	884	5,348	1,010	3,754	2,652	3,067
2049	24,110	404	907	1,467	1,069	2,281	880	5,432	1,017	3,780	2,676	3,071
2050	24,275	405	905	1,468	1,074	2,290	875	5,515	1,023	3,805	2,700	3,075

California Economic Forecast

Socioeconomic Indicators

